

dollars&SENSE

NEWSLETTER

Welcome to 2009!



Let us hope that this year will be better than 2008. However, finding optimism for the New Year has become a difficult task. Everywhere

we turn it seems like more and more bad news on the economic front. I know that many of you, as we are here at Bates, Carter and Co., are reviewing your financial position with regards to how to manage your finances for the future. I can only find one thing that is certain for the near future, nobody knows where the economy is going and nobody is currently willing to bet on where we will be in six months.

With all that in mind what should the proverbial "ordinary reasonable man" do? I have counseled several clients that this is a time for conservative, measured actions. Cash is king and conserving cash is a must when facing an uncertain future. Many of the business failures that we have seen are not the result of poor business models but one of failure to manage the balance sheet

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BUSINESS ADVISORY

Tax Law Predictions for 2009

by Randy Jessup, C.P.A.

With a new Administration heading to Washington, the Tax Department at BCC is making a few predictions – and presenting them in order of confidence in their realization.

Tax law change will be slow – Despite discussion during the campaign about raising taxes on the wealthy, tax cuts for the middle class, and raising rates on capital gains rates and dividends, a tumultuous economy and stock market will make immediate major changes in tax law unlikely. If the economy stabilizes in late 2009, expect a major tax bill in 2010, but we think 2009 tax law will be quite similar to 2008.

Incentives for capital expenditures for businesses – For 2008, the Section 179 limit for expensing capital expenditures was increased to \$250,000. In 2009, the Section 179 limit is set to go back to



\$133,000. We believe this will not happen because the tax breaks on purchasing business equipment (increased Section 179 limits and "Bonus Depreciation") have proven to help stimulate the economy.

Increase in IRS audits and examinations – In a slow

economy, the IRS is pressured to raise revenue without an increase in tax rates. This will result in an increase in IRS audits, additional third-party reporting, and increasing payments that are subject to automatic withholding.

AMT – While it made for an interesting campaign discussion, we don't foresee a repeal of the unpopular Alternative Minimum Tax **in 2009**, which is estimated

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to provide the liquidity needed to finance the company's operations.

In response to difficult financial times companies typically follow two paths. First, and worst of all, they fail to take any action hoping that things will get better and they can "ride it out". When their situation does not improve, they find themselves in a box where they have no options other than ones that their creditors and investors dictate to them. Second they panic and cut expenses across the board. While this certainly produces cash in the near term it often dooms the company to failure in the long term as vital business processes and initiatives are cut along with less necessary expenditures.

To survive and thrive in tough times, companies must make good decisions determined by a measured, well thought out approach. These are the result of strategic thinking and planning both for the short and long term. Many times this can be successfully accomplished by bringing in outside facilitators and advisors to assist you in creating a measured, strategic approach.

Tough times always provide opportunities for those who are positioned to take advantage of them. World class companies are often created in times like these. Will yours be one of them?



PROUD MOMENTS

+ Five North Hall Schools received \$5,000 each from the North Hall Community Education Foundation (NHCEF) to help fund unique program needs. Formed in 2005, the Foundation provides financial support and other benefits to the five schools of the North Hall community. BCC Partner **Ron Bracewell**, serves as Foundation president.

+ **Kristi Griffin** is one of 24 Hall County professionals who are participating in The Greater Hall Chamber of Commerce 2008-09 Leadership Hall County class. The group helped organize and distribute toys to families at Christmas for the Marines and Toys for Tots drive. Over 400 families in Hall County were supported through their efforts.

About Leadership Hall County: The program seeks to expose highly talented, motivated and potential leaders of Hall County to the inter-related economic, government, socio-cultural and educational issues of the community.

Participants develop knowledge of the community through a series of one-day sessions on topics such as arts, education, health and social services, city and state governments, judicial and economic development.

Leadership Hall County was initiated by the Greater Hall Chamber in 1983, and since then more than 500 people have graduated from the program. Class members are nominated by former participants and selected by the Leadership Hall County Selection Committee. Leadership Hall County graduates have become involved in many areas of volunteer service in the community.

BCC is proud of its long tradition with Leadership Hall County. Alumni include Partners **Ron Bracewell**, **Russell Hopkins** and **Randy Jessup**.

+ **David Geer**, audit supervisor in the Commercial Audit Department, instructed an in-house class for BCC tax professionals entitled 'Are You Ready for the New 990?' He also presented to 30 non-profit professionals and CPAs from local firms who wanted to learn the latest non-profit tax reporting changes. David has over three years experience in auditing non-profits and preparing 990 tax returns and has done extensive study of the new 990 form and instructions.

+ **Lindsey Gough** received the Citizenship Award from Monroe Junior Women's Club. The award was given in recognition of the dedicated service, hard work and unselfish devotion she has shown not only to the club but to the families and organizations that the club supports. She is also the second vice president for 2009.

Making a Difference

+ The second annual Empty Bowls Luncheon was held at First Baptist Church in Gainesville in October 2008. The luncheon is a localization of a national fundraiser which combines pottery and philanthropy to raise awareness of hunger and raise funds for food banks. The bowls serve as a reminder of the issue of hunger in the Gainesville community. Proceeds from the event benefit the Georgia Mountain Food Bank Fund at the North Georgia Community Foundation. BCC managing partner **John Nix**, serves on the board for the Georgia Mountain Food Bank.

+ With 100% staff participation, BCC has raised more than \$10,000 for the United Way of Hall County -- a 22% increase over last year.

NOTES FROM UNCLE SAM

by Randy Jessup, C.P.A.

The IRS has changed the due date for 2008 extended partnership returns. The extended due date is now September 15, 2009 rather than October 15, 2009. The original due date is still April 15, 2009.

The House and Senate have passed legislation that will suspend the required minimum distribution (RMD) from retirement accounts in 2009. This waiver applies to all defined-contribution plans, including 401(k), 403(b), 457(b), and IRA accounts, and is good news for seniors whose investments have been pummeled by the recent stock market turmoil.

The law which allows IRA owners age 70 1/2 or older to make direct transfers of up to \$100,000 per year from their IRA to a charity has been extended to 2008 and 2009. The distribution will not be taxable to you, but you don't get to deduct the charitable contribution on your tax return.

Beware of Bogus E-mails – The IRS does not send unsolicited e-mails about your taxes. If you get an e-mail that appears to be from the IRS, it may be an attempt to steal your private information. Don't click on any links in the message. Rather, forward the e-mail to phishing@irs.gov using the instructions at www.irs.gov.

Tax Law Predictions for 2009 (continued from page 1)

to raise \$123.5 billion. While it may be adjusted to affect fewer taxpayers, the government will continue to rely on the tax dollars provided by the AMT.

Estate tax – As mentioned in a previous newsletter the federal estate tax is not likely to expire in 2010 as it is currently scheduled to do. The exemption amount will probably be around \$3.5 million per decedent, which is a significant increase from the 2007 exemption of \$2 million. The top estate tax rate will be at or near 45% which is engaged well before the estate reaches the exemption amount. Another issue is carry-over basis which is used to determine gain or loss on the sale of inherited property. We predict that 2009 legislation will retain the date-of-death basis.

State Tax Hikes – There will be an increase in state taxes like New York's proposed eighteen percent "obesity tax" on soft drinks which would raise an estimated \$404 million dollars. Although this particular tax may not actually happen other states are going to look for similar ways to raise revenue.

Internet Taxes – While it is impossible to predict the

outcome, states will renew efforts to encourage membership and compliance with the Streamlined Sales and Use Tax Agreement (SSUTA) which is an attempt at taxing internet sales in a way that is acceptable to both the e-tailer and the U.S. Supreme Court. If the Center for Business and Economic Research's 2007 estimate of \$33.8 billion in lost revenue for 2008 is correct, this is something states can't ignore.

Gas Tax – We predict that both the state and federal governments will at least consider an increase in fuel taxes while the cost at the pump is low. The tax will be touted as a "green tax" but will really be a subsidy for a current state or federal program that can be re-cast as a "Green Initiative".

Our predictions are based on the current recession continuing through 2009 and the government's insatiable need for revenue, which we feel are safe bets. The form and extent of the actual laws enacted will change with the political winds, as usual. So hang in there and we'll keep you posted. In the meantime, we wish you a happy New Year!

MILESTONES TO RECOGNIZE

New team members



Vicki Jolley Holland

has joined BCC as a senior accountant in the Small Business Services department. She received her

bachelor's degree from Brenau University with a major in Accounting and a minor in Business. She earned her CPP certification in the spring of 2001 from the American Payroll Association. Vicki has experience both in the private and public accounting sectors. She began her accounting career in her father's CPA firm -- Childs, Jolley and Collett. She is a member of the Gainesville-Hall County Junior League and an active member of First United Methodist Church of Gainesville.

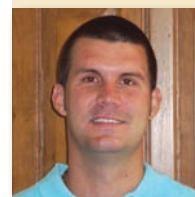
Vicki is originally from Atlanta but has resided in Gainesville since 2001 on a small horse farm with her husband Andy and daughter Lauren.

CONGRATULATIONS



Congratulations to **Michele Bruce**, audit supervisor in the Government Audit Department. **Michele** passed her Certified Fraud Examiner

(CFE) certification exam with the Association of Certified Fraud Examiners (ACFE).



Dustin David for passing all four sections of his CPA exam. **Dustin** accomplished this feat in less than six months, which is very impressive!

FROM OUR FAMILY TO YOURS

Turning 65 in 2009? *by Sandy Whiten, C.P.A.*



For those of you who turn 65 in 2009, it is in your best interest to proactively prepare for enrollment in Medicare and drawing Social Security benefits. Since Social Security started indexing the years starting with 1938, individuals who turn 65 in 2009 achieve their full retirement age at 66 and 2 months. If an individual starts drawing Social Security benefits before full retirement age they are limited to \$14,160 of earned income for 2009. Once an individual has reached full retirement age there is no limit on earnings.

Call the Social Security office to setup an appointment three months before you turn 65 to sign up for Medicare insurance. If your appointment is at your local Social Security office, you will need to take a certified copy of your birth certificate and an estimate of your 2009 income. The standard Medicare insurance premium for 2009 is \$96.40 but there could be an additional income-related monthly adjustment amount based on your income. If your appointment is by telephone, you will have to mail your birth certificate to the Social Security office (it will be returned to you). If you started drawing Social Security benefits at the age of 62, the Social Security office will already have your birth certificate on file and all you need to do is call to sign up for Medicare insurance. If you are going to wait until full retirement age to draw benefits, you will receive a bill every three months for Medicare insurance premiums. **NOTE: Medicare insurance takes effect the first day of the month in which you turn 65.**

The Social Security office will need to know whether you want Medicare insurance to be your primary or secondary insurance. If Medicare is your primary insurance, then it would be advisable to get a Medicare supplement plan and/or stay with your current plan. **NOTE: Most Plan D prescription plans have gap coverage which means that when a certain dollar amount is reached, the prescriptions are paid by the individual up to the top gap level before Plan D kicks in again. If you take numerous prescriptions check to see if your current plan has a no gap coverage on prescriptions and consider retaining your current plan as secondary insurance.**

Walgreens (and other drugstores) have a software program where your prescriptions can be entered by name and dosage. The report will give you a list of all the Plan D providers, the prescriptions that each plan covers, the tier level, monthly premium and co-pays for each tier of the plan.

Hot Chicken Dip

contributed by Susan Hopkins

2 large cans (13 oz) white chicken
2 8 oz packages of cream cheese, softened
2 small tubs of chive & onion cream cheese

Garlic powder to taste
1 pkg (small) of shredded cheddar cheese

Rinse and drain chicken. Break into small pieces. In mixer, blend cream cheese, chicken and garlic powder. Mix well. Spread into 9" x 13" dish. Top with shredded cheddar. Bake covered in a 350° oven for approx. 25 minutes. Uncover and bake about five minutes longer or until cheese is melted. Serve warm with crackers or pieces of bread.

TAKE A BREAK...

The latest income-tax form has been greatly simplified. It consists of only three parts:

1. How much did you make last year?
2. How much do you have left?
3. Send amount listed in part 2.

Q: Why is a tax loophole like a good parking spot?

A: As soon as you see one, it's gone.

Doing your own income tax return is a lot like a do-it-yourself mugging.

Q: Ever wonder why the IRS calls it Form 1040?

A: Because for every \$50 that you earn, you get \$10 and they get \$40.



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